

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

HEALTH CARE FINANCING ADMINISTRATION

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

1. TRANSMITTAL NUMBER:

0 0 0 0 4

2. STATE:

TENNESSEE

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE

April 1, 2000

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☒ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☐ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447

7. FEDERAL BUDGET IMPACT:

a. FFY 99/2000 \$ 0

b. FFY 2000/2001 \$ 0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19D pages 4a of 13, 5 of 13,
12a of 13, and 13 of 13.

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Attachment 4.19D pages 4a of 13,
5 of 13, 12a of 13, and 13 of 13.

10. SUBJECT OF AMENDMENT:

Methods and Standards for Establishing Payment Rates - Nursing Facilities.

GOVERNOR'S REVIEW (Check One):

☒ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ OTHER, AS SPECIFIED:

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

John D. Ferguson

14. TITLE:

Commissioner

15. DATE SUBMITTED:

June 30, 2000

16. RETURN TO:

Tennessee Department of Finance
and Administration
Bureau of TennCare
729 Church Street
Nashville, Tennessee 37247-6501

Attn: George Woods

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

July 3, 2000

18. DATE APPROVED:

January 24, 2001 ~~8~~ - Denied Approved

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

April 1, 2000

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

Eugene A. Grasso

22. TITLE: Associate Regional Administrator

Division of Medicaid and State Operations

23. REMARKS:

State agency authorized "pen and ink" change to page 12a of 13, Item 9.(d), to be
corrected from "Medicaid Level II" to "Medicaid Level I".

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE TENNESSEEMETHODS AND STANDARDS FOR ESTABLISHING PAYMENT
RATES - NURSING FACILITIES

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8. For state fiscal periods commencing on or after July 1, 1999, and subject to the availability of sufficient county, state and federal funds based upon an executed intergovernmental transfer agreement and subsequent transfer of funds, qualifying Medicaid level II nursing facilities shall receive a Medicaid nursing facility level II disproportionate share payment (M2DSA) one time each fiscal year.
- (a) To be eligible to receive a (M2DSA) payment, a facility must be:
 - (i) County owned, and
 - (ii) Medicaid Level I and Level II covered days, from the facility's most recently filed Medicaid Level I cost report, must be equal to or greater than 75% of total facility patient days, and
 - (iii) The facility must have more than 200 beds, and
 - (iv) The facility must be the largest provider of Medicaid days in its county.
 - (b) For all facilities participating in the Medicaid Program, the Department of Finance and Administration shall determine a maximum upper payment limit in accordance with 42 CFR 447.272(a).
 - (c) Subject to the availability of funds the Department of Finance and Administration shall establish a pool of funds from which a disproportionate share payment will be made to eligible nursing facilities as described in section (a) above. The amount of the pool cannot exceed the upper payment limit described in section (b) above.
 - (d) Using the most recently filed cost report for each facility described in section (a) above, the Department of Finance and Administration shall determine each facility's (M2DSA) percentage by dividing the facility's Medicaid Level II patient days by the total number of Medicaid Level II patient days for all facilities described in section (a) above.
 - (e) Each eligible facility's (M2DSA) shall be determined by multiplying its (M2DSA) percentage by the total disproportionate share pool described in section (c) above.
 - (f) The Department of Finance and Administration shall verify that the Medicaid Level II patient days used to determine each facility's (M2DSA) percentage in section (d) above are as accurate as possible at the time of the calculation.
 - (g) Should subsequent review of the Medicaid Level II patient days included in the calculation described in section (d) above determine that inaccurate counts were used, the Department of Finance and Administration shall make a correcting adjustment on each facility's next (M2DSA) payment
- F. Cost Report Validation – Nursing facility cost reports submitted to the state in accordance with this Plan shall be desk reviewed prior to rate setting. In accordance with 42 CFR 447.253g, the state has provisions for field auditing of cost reports. A field audit will be designated when a desk review indicates it is necessary.

D1049259

TN No. 2000-4

Supersedes

TN No. 99-8Approval Date JAN 24 2001

'DEEMED APPROVED'

Effective 4/1/2000

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE TENNESSEE

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT
RATES - NURSING FACILITIES

- G. Public Review and Comment - Interested members of the public will be granted an opportunity of at least thirty (30) days to review and comment on the proposed methods and standards of payment before they become effective.

II. Nursing Facilities Providing Level I Care

- A. Reimbursement Principles - Effective August 16, 1980, reimbursement for Nursing Facility services (Level I care) shall be on a reasonable cost-related basis. Participation in the program shall be limited to those providers of service who agree by contract to accept as payment in full the amounts paid in accordance with the cost rates determined by the methods described herein. Cost rates shall be determined prospectively on a facility by facility basis. Such rates shall consist of prior year allowable cost, a cost increase factor, a return on equity, an incentive factor for cost containment, and any allowable cost as referred to in Section II.B. of this attachment as may be required by the Commissioner of the Department of Finance and Administration. The first cost report shall be the providers' first fiscal period ending after July 1, 1976 and shall run no longer than twelve months. OBRA 1987 pass through cost items allowed will be paid over and above the per diem in the fiscal year July 1, 1990 through June 30, 1991 and in the fiscal year July 1, 1991 through June 30, 1992. The annual nursing home tax, passed through as an allowable cost item for nursing facilities for the periods of July 1, 1992 through June 30, 1993; July 1, 1993 through June 30, 1994; July 1, 1994 through June 30, 1995; July 1, 1995 through June 30, 1996; July 1, 1996 through June 30, 1997; July 1, 1997 through June 30, 1998 and July 1, 1998 through June 30, 1999 is being extended for the period July 1, 1999 through June 30, 2000 and July 1, 2000 through June 30, 2001 and will be excluded for purposes of computing the inflation allowance and cost containment incentive, and will not be subject to the maximum per diem rate. With certain exceptions, Medicare standards and principles of reimbursement shall be used. These exceptions are noted below:

D1045173

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE TENNESSEE

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT
RATES - NURSING FACILITIES

- F. Cost Report Validation – Nursing facility cost reports submitted to the state in accordance with this Plan shall be desk reviewed prior to rate setting. In accordance with 42 CFR 447.253g, the state has provisions for field auditing of cost reports. A field audit will be designated when a desk review indicates it is necessary.
- G. Public Review and Comment – Interested members of the public will be granted an opportunity of at least thirty (30) days to review and comment on the proposed methods and standards of payment before they become effective.

D1020070

TN No. 2000-4
Supersedes
TN No. 90-27

Approval Date JAN 23 2001
"DEEMED APPROVED"

Effective 4/1/2000